

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2012-435-C - ORDER NO. 2013-149
MARCH 22, 2013

IN RE: Application of Peerless Network of South)	ORDER GRANTING
Carolina, LLC for a Certificate of Public)	CERTIFICATE AND
Convenience and Necessity to Provide)	APPROVING FLEXIBLE
Facilities-Based Local Exchange and Long)	AND ALTERNATIVE
Distance Telecommunications Services and)	REGULATION
for Flexible Regulation of Its Local)	
Exchange Services and Alternative)	
Regulation of Its Long Distance Service)	
Offerings within the State of South Carolina)	

This matter comes before the Public Service Commission of South Carolina (“Commission”) by way of the Application of Peerless Network of South Carolina, LLC (“Peerless” or the “Company”) requesting a Certificate of Public Convenience and Necessity authorizing it to provide resold and facilities-based local exchange and interexchange telecommunications services within the State of South Carolina. The Company’s Application was filed pursuant to S.C. Code Ann. § 58-9-280 (Supp. 2012), Section 253 of the Telecommunications Act of 1996, and the rules and regulations of the Commission. By its Application, Peerless also requests flexible regulation of its local exchange service offerings pursuant to Order No. 98-165 in Docket No. 1997-467-C and modified alternative regulation of its interexchange services consistent with Commission Orders, and waivers of certain Commission regulations.

The Commission’s Clerk’s Office instructed Peerless to publish, one time, a Notice of Filing in newspapers of general circulation in the areas of the state affected by

the Application. The purpose of the Notice of Filing was to inform interested parties of the Application of Peerless and of the manner and time in which to file the appropriate pleadings for participation in the proceeding. Peerless complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. A Petition to Intervene was filed by the South Carolina Telephone Coalition (“SCTC”). Subsequent to the intervention, the Company and SCTC reached a Stipulation, attached and incorporated by reference as Order Exhibit 1. The Company and the South Carolina Office of Regulatory Staff (“ORS”) filed a Settlement Agreement, attached and incorporated by reference as Order Exhibit 2.

A hearing was convened on March 4, 2013, at 11:30 a.m. in the offices of the Commission in Columbia, South Carolina, before Randall Dong, Hearing Examiner. Peerless was represented by Bonnie D. Shealy, Esquire. ORS was represented by Lessie Hammonds, Esquire. The SCTC did not appear at the hearing.

John Barnicle, President of Peerless, testified via video conference in support of the Company’s Application. The record reveals that Peerless is a South Carolina limited liability company organized on August 21, 2012. Peerless is a wholly-owned subsidiary of Peerless Network, Inc. Generally, Peerless Network, Inc. sets up a separate limited liability company for each affiliate by state. According to Mr. Barnicle, Peerless seeks authority to provide intrastate competitive local exchange and interexchange telecommunications services on a statewide basis.

Specifically, Peerless intends to provide primarily competitive access services, high-capacity telecommunications services, including private line, transport and long-

distance services for enterprise customers, carriers and other network providers in South Carolina. Peerless focuses on simplifying the interconnection process for other telecommunications service providers. Peerless and its affiliates provide a wide variety of services designed specifically for competitive local exchange carriers, cable telephony companies, wireless carriers, interexchange carriers, enhanced service providers and enterprises. The Company offers a fully diverse all Internet Protocol switching platform and transport network that operates without the encumbrances of legacy IP networks that mix commodity Internet traffic and voice calls. The Company does not currently plan to offer switched voice services or dial tone to end user customers. Peerless will operate as a carrier's carrier. The Company seeks the full range of local exchange and interexchange authority so that it can have flexibility in provisioning its services in the future. Mr. Barnicle explained the Company's business plans, services, operations and marketing procedures.

Mr. Barnicle also discussed Peerless' technical, financial, and managerial resources to provide the services for which it seeks authority. Mr. Barnicle described the Company's all IP network with points of presence in numerous cities around the country. Peerless has also established a diverse and redundant nationwide 10 Gbps transport network supporting sub second failover at all layers. Peerless and its affiliates now have operations in approximately 32 states. The Company's Application and Mr. Barnicle's testimony both evidence that Peerless' South Carolina operations will be directed by Peerless' existing corporate management that have extensive experience in business and technical disciplines with many years of individual and aggregate telecommunications

experience. Mr. Barnicle also indicated that the confidential financial statements provided as Exhibit C and Supplemental Exhibit C of the Application illustrate that the Company has sufficient financial resources to support its operations in South Carolina. In addition, in early January Peerless Network, Inc. secured \$15M in debt financing to fund network growth, provide additional data center capacity, and enter new markets.

Peerless will operate in accordance with Commission rules, regulations, guidelines, and Commission orders. Mr. Barnicle offered that approval of Peerless' Application would serve the public interest by fostering greater competition in the provision of telecommunications services in South Carolina. Peerless' entry into South Carolina will make its customers' interconnection process simpler, less expensive and more efficient. Peerless does not restrict interconnections based on carrier type, call jurisdiction or network architecture. Since Peerless is dedicated to open and full competition it can maximize customer savings, lower unit costs, and improve customer service. Peerless Network has built one of the largest interconnection networks in the country enabling wireless carriers, competitive and incumbent local exchange carriers, cable companies and others to connect with each other regardless of how, where or who they need to interconnect.

The Company requested a waiver of 10 S.C. Code Ann. Regs. 103-610 since the Company's books are maintained in Illinois. The Company also requested an exemption from record keeping policies that require maintenance of financial records in conformance with the Uniform System of Accounts ("USOA"). Peerless maintains its books in accordance with Generally Accepted Accounting Principles ("GAAP"). Peerless

requested a waiver of 10 S.C. Code Ann. Regs. 103-612.2.3, the requirement to file operating maps with the Commission since the Company seeks statewide certification. Peerless also seeks waivers of the requirements of 10 S.C. Code Ann. Regs. 103-631 and 103-607 since the Company does not intend to offer voice services to end users at this time.

After consideration of the applicable law, the Company's Application, and the evidence presented at the hearing, the Commission hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. Peerless was formed as a limited liability company under the laws of the State of South Carolina and is authorized to do business in South Carolina by the Secretary of State.

2. At the time of the hearing Peerless was authorized to provide telecommunications services in the District of Columbia and the following states: Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, Utah (IXC), Virginia, Washington, and Wisconsin. The Company wishes to begin offering its services in the State of South Carolina.

3. Peerless desires to operate as a provider of local exchange and interexchange services in South Carolina.

4. We find that Peerless possesses the managerial experience and capability to operate as a provider of local exchange and interexchange services in South Carolina.

5. We find, based on the financial statements submitted by the Company and the testimony at the hearing, that Peerless possesses sufficient financial resources to provide the services as described in its Application and testimony.

6. We find that the issuance of a Certificate of Public Convenience and Necessity to Peerless to operate as facilities-based and/or reseller of local exchange telecommunications and interexchange services in South Carolina would be in the best interest of the citizens of South Carolina by providing more innovative services and competitive choices.

7. Peerless requests a waiver of 10 S.C. Code Ann. Regs. 103-610. The Commission finds Peerless' requested waiver reasonable and understands the potential difficulty presented to Peerless should the waiver not be granted. Further, we find that a waiver of 10 S.C. Code Ann. Regs. 103-610 is in the public interest. We also believe that exemption from the policies that would require the Company to keep its records under the USOA is reasonable. Additionally, when considering the type of services the Company has proposed to offer, we find that waivers of 10 S.C. Code Ann. Regs. 103-612.2.3, 103-631, and 103-607 are reasonable and in the public interest.

8. The Commission finds that the Company's "provision of service will not adversely impact the availability of affordable local exchange service." S.C. Code Ann. § 58-9-280 (B)(3) (Supp. 2012).

9. The Commission finds that the Company will support universally available telephone service at affordable rates. S.C. Code Ann. § 58-9-280 (B)(4) (Supp. 2012).

10. The Commission finds that services to be provided by the Company will meet the service standards of the Commission. S.C. Code Ann. § 58-9-280 (B)(2) (Supp. 2012).

11. The Commission finds that the provision of local exchange service by the Company “does not otherwise adversely impact the public interest.” S.C. Code Ann. § 58-9-280(B)(5) (Supp. 2012).

12. Following execution of a Stipulation with intervenor SCTC, the SCTC withdrew its opposition to the Application.

13. The Commission finds that the Settlement Agreement between the Company and ORS is fair and reasonable and in the public interest.

CONCLUSIONS OF LAW

1. The Commission concludes that Peerless possesses the managerial, technical, and financial resources to provide the telecommunications services as described in its Application.

2. The Commission concludes that the Company will participate in the support of universally available telephone service at affordable rates to the extent that the Company may be required to do so by the Commission.

3. The Commission concludes that the Company will provide services which will meet the service standards of the Commission.

4. The Commission concludes that the provision of telecommunications service by the Company will not adversely impact the public interest.

5. The Commission concludes that the issuance of the authority to provide intrastate local exchange and interexchange telecommunications services as requested by Peerless and as set forth in its Application and Mr. Barnicle's testimony is in the best interests of the citizens of the State of South Carolina.

6. The Commission concludes that a Certificate of Public Convenience and Necessity should be granted to Peerless to provide intrastate local exchange and interexchange telecommunications services.

7. The Commission adopts a rate design for Peerless for future residential interexchange services which includes maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

8. Peerless shall not adjust its residential interexchange rates for end-users below the approved maximum level without notice to the Commission and to the public. Peerless shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of GTE

Sprint Communications, etc., Order No. 93-638, issued in Docket No. 84-10-C (July 16, 1993). Any proposed increase in the maximum rate level for residential interexchange services reflected in the tariff which would be applicable to the general body of the Company's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. § 58-9-540 (Supp. 2012).

9. The Commission concludes that Peerless' intrastate interexchange business services, consumer card services, operator services, and private line service offerings be regulated in accordance with the principles and procedures established for alternative regulation of business service offerings set out in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. Specifically, the Commission-approved alternative regulation allows business service offerings, including consumer card services and operator services, to be subject to a relaxed regulatory scheme identical as set forth in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C, as modified by Order No. 2001-997 (Docket No. 2000-407-C). Under this relaxed regulatory scheme, tariff filings for business services shall be presumed valid upon filing. The Commission will have seven (7) days in which to institute an investigation of any tariff filing. If the Commission institutes an investigation of a particular tariff filing within the seven days, the tariff filing will then be suspended until further Order of the Commission.

10. The Commission concludes the Company's local exchange telecommunications services shall be regulated in accordance with the principles and procedures established for flexible regulation first granted to NewSouth Communications

by Order No. 98-165 in Docket No. 97-467-C. Specifically, the Commission adopts for the Company's competitive intrastate local exchange services a rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels approved by the Commission. Further, the Company's local exchange service tariff filings are presumed valid upon filing, subject to the Commission's right within thirty (30) days to institute an investigation of the tariff filing, in which case the tariff filing would be suspended pending further order of the Commission. Further, any such tariff filings will be subject to the same monitoring process as similarly situated competitive local exchange carriers.

11. We conclude that Peerless' request for waiver of 10 S.C. Code Ann. Regs. 103-610 and the use of USOA should be granted as strict compliance with the regulation would potentially cause undue hardship on that Company. Additionally, when considering the type of services the Company has proposed to offer, we conclude that the request for waivers of 10 S.C. Code Ann. Regs. 103-631 regarding publication of a local telephone directory, 10 S.C. Code Ann. Regs. 103-612.2.3 which requires filing service area maps, and 10 S.C. Code Ann. Regs. 103-607 regarding the bond requirement for residential local service carriers should be granted.

12. We conclude that the Stipulation and Settlement Agreement between the various parties should be approved.

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED THAT:

1. A Certificate of Public Convenience and Necessity should be granted to Peerless to provide intrastate local exchange and interexchange telecommunications services within the State of South Carolina.

2. The Company's rate designs for its products shall conform to those designs described in Conclusions of Law above.

3. If it has not already done so, the Company shall file its revised tariff utilizing the Commission's e-filing system for tariffs within 30 days after the issuance of this Order. The revised tariff should be electronically filed in a text searchable PDF format using the commission's DMS system (<http://dms.psc.sc.gov>). An additional copy should be sent via email to etariff@psc.sc.gov to be included in the Commission's ETariff System (<http://etariff.psc.sc.gov>). Future revisions to the tariff should be made using the ETariff System. The revised tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations as well as the provisions of the Peerless-ORS Settlement Agreement.

4. The Company's service is subject to access charges pursuant to Commission Order No. 86-584, in which the Commission determined that for access purposes resellers and facilities-based interexchange carriers should be treated similarly.

5. With regard to the Company's resale of service, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

6. Peerless shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If Peerless changes underlying carriers, it shall notify the Commission in writing with a copy filed with the ORS.

7. With regard to the origination and termination of toll calls within the same LATA, Peerless shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993), with the exception of the 10-XXX intraLATA dialing requirement, which has been rendered obsolete by the toll dialing parity rules established by the FCC pursuant to the Telecommunications Act of 1996 (See, 47 CFR 51.209). Specifically, Peerless shall comply with the imputation standard as adopted by Order No. 93-462 and more fully described in paragraph 4 of the Stipulation and Appendix B approved by Order No. 93-462.

8. Peerless shall file annual financial information in the form of annual reports and gross receipts reports as required by the Commission. The annual report and the gross receipt report will necessitate the filing of intrastate information. Therefore, Peerless shall keep financial records on an intrastate basis for South Carolina to comply with the annual report and gross receipts filings. The proper form for filing annual financial information can be found at the Commission's website at www.psc.sc.gov/forms.asp or at the ORS's website at www.regulatorystaff.sc.gov. The title of this form is "Telecommunications Company Annual Report." This form shall be

utilized by the Company to file annual financial information with the Commission and ORS and shall be filed no later than April 1st.

Commission gross receipts forms are due to be filed with the Commission and ORS no later than August 31st of each year. The proper form for filing gross receipts information can be found at the ORS website at www.regulatorystaff.sc.gov, and the appropriate form is entitled "Gross Receipts Form."

Each telecommunications company certified in South Carolina is required to file annually with the ORS the Intrastate Universal Service Fund ("USF") worksheet, which may be found on the ORS's website at www.regulatorystaff.sc.gov. This worksheet provides ORS information required to determine each telecommunications company's liability to the State USF fund. The Intrastate USF worksheet is due to be filed annually no later than July 1st with the Commission and ORS.

9. The Company shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests and repairs. In addition, the Company shall provide to the Commission and ORS in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours. Peerless shall file the names, addresses and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The "Authorized Utility Representative Information" form can be found at the Commission's website at www.psc.sc.gov/forms.asp and on ORS's website at www.regulatorystaff.sc.gov; this

form shall be utilized for the provision of this information to the Commission and ORS. Further, the Company shall promptly notify the Commission and ORS in writing if the representatives are replaced.

10. The Company is directed to comply with all Rules and Regulations of the Commission unless a regulation is specifically waived by the Commission.

11. Peerless requested a waiver of 10 S.C. Code Ann. Regs. 103-610 and use of the USOA. In addition, the Company requested waivers of 10 S.C. Code Ann. Regs. 103-631, 10 S.C. Code Ann. Regs. 103-612.2.3, and 10 S.C. Code Ann. Regs. 103-607. The Commission finds Peerless' requested waivers reasonable, when considering the type of services the Company has proposed to offer, and understands the potential difficulty presented to Peerless should the waivers not be granted. The Commission therefore grants the requested waivers. However, Peerless shall make available its books and records at all reasonable times upon request by ORS, and Peerless shall promptly notify the Commission and ORS if the location of its books and records changes.

12. The Stipulation and Settlement Agreement between the various parties are hereby approved and incorporated as part of this Order.

13. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:


David A. Wright, Chairman

ATTEST:


Randy Mitchell, Vice Chairman
(SEAL)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

Docket No. 2012-435-C

Re: Application of Peerless Network of South)
 Carolina, LLC for a Certificate of Public)
 Convenience and Necessity to Provide Facilities-)
 Based Local Exchange Telecommunications)
 Services in the State of South Carolina)
_____)

STIPULATION

The South Carolina Telephone Coalition ("SCTC") (see attachment "A" for list of companies) and Peerless Network of South Carolina, LLC ("Peerless Network") hereby enter into the following stipulations. As a consequence of these stipulations and conditions, SCTC does not oppose Peerless Network's Application. SCTC and Peerless Network stipulate and agree as follows:

1. SCTC does not oppose the granting of a statewide Certificate of Public Convenience and Necessity to Peerless Network, provided the South Carolina Public Service Commission ("Commission") makes the necessary findings to justify granting of such a certificate, and provided the conditions contained within this stipulation are met.

2. Peerless Network stipulates and agrees that any Certificate which may be granted will authorize Peerless Network to provide service only to customers located in non-rural local exchange company ("LEC") service areas of South Carolina, except as provided herein.

3. Peerless Network stipulates that it is not asking the Commission to make a finding at this time regarding whether competition is in the public interest for rural areas.

4. Peerless Network stipulates and agrees that it will not provide any local service, by its own facilities or otherwise, to any customer located in a rural incumbent LEC's service

area, unless and until Peerless Network provides such rural incumbent LEC and the Commission with written notice of its intent to do so at least thirty (30) days prior to the date of the intended service. During such notice period, the rural incumbent LEC will have the opportunity to petition the Commission to exercise all rights afforded it under Federal and State law. Also, Peerless Network acknowledges that the Commission may suspend the intended date for service in rural LEC territory for ninety (90) days while the Commission conducts any proceeding incident to the Petition or upon the Commission's own Motion, provided that the Commission can further suspend the implementation date upon showing of good cause.

5. Peerless Network stipulates and agrees that, if Peerless Network gives notice that it intends to serve a customer located in a rural incumbent LEC's service area, and either (a) the Commission receives a Petition from the rural incumbent LEC to exercise its rights under Federal or State law within such 30-day period, or (b) the Commission institutes a proceeding of its own, then Peerless Network will not provide service to any customer located within the service area in question without prior and further Commission approval.

6. Peerless Network acknowledges that any right which it may have or acquire to serve a rural telephone company service area in South Carolina is subject to the conditions contained herein, and to any future policies, procedures, and guidelines relevant to such proposed service which the Commission may implement, so long as such policies, procedures, and guidelines do not conflict with Federal or State law.

7. The parties stipulate and agree that all rights under Federal and State law are reserved to the rural incumbent LECs and Peerless Network, and this Stipulation in no way suspends or adversely affects such rights, including any exemptions, suspensions, or modifications to which they may be entitled.

8. Peerless Network agrees to abide by all State and Federal laws and to participate, to the extent it may be required to do so by the Commission, in the support of universally available telephone service at affordable rates.

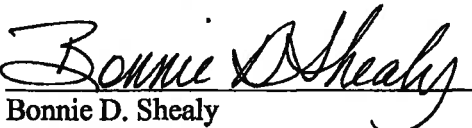
9. Peerless Network hereby amends its application and its prefiled testimony in this docket to the extent necessary to conform with this Stipulation.

10. Notwithstanding any provision contained herein, the terms, conditions, and limitations of this Stipulation apply only in those instances where a rural telephone company's federal rural exemption under 47 U.S.C. § 251(f)(1) is implicated.

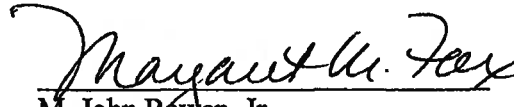
AGREED AND STIPULATED to this 12th day of February, 2013.

Peerless Network of South Carolina, LLC

South Carolina Telephone Coalition:


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Coalition

ATTACHMENT A
South Carolina Telephone Coalition Member Companies
for Purposes of Local Service Stipulation

Chesnee Telephone Company

Chester Telephone Company

Farmers Telephone Cooperative, Inc.

Ft. Mill Telephone Company

Home Telephone Company, Inc.

Lancaster Telephone Company

Lockhart Telephone Company

McClellanville Telephone Company

Norway Telephone Company

Palmetto Rural Telephone Cooperative, Inc.

Piedmont Rural Telephone Cooperative, Inc.

Pond Branch Telephone Company

Ridgeway Telephone Company

Rock Hill Telephone Company

Sandhill Telephone Cooperative, Inc.

St. Stephen Telephone Company

West Carolina Rural Telephone Cooperative, Inc.

Williston Telephone Company

WHEREAS, on December 27, 2012, Peerless filed its Application requesting (i) a Certificate of Public Convenience and Necessity be granted authorizing the Company to provide facilities-based and resold local exchange and long distance telecommunications services throughout the State of South Carolina; (ii) flexible regulation for its local exchange telecommunications services consistent with the Public Service Commission of South Carolina (“Commission”) Order No. 1998-165 in Docket No. 1997-467-C; (iii) alternative regulation of its interexchange services, operator services, and private line services consistent with Commission Order Nos. 1995-1734 and 1996-55 in Docket No. 1995-661-C, as modified by Commission Order No. 2001-997 in Docket No. 2000-407-C; and (iv) waiver of certain regulations of the Commission, specifically 26 S.C. Code Ann. Reg. 103-610 (Supp. 2011)

regarding location of records, 26 S.C. Code Ann. Reg. 103-611 (Supp. 2011) regarding use of the Federal Communications Commission's ("FCC") Uniform System of Accounts ("USOA"), 26 S.C. Code Ann. Reg. 103-631 (Supp. 2011) regarding publication of a directory, 26 S.C. Code Ann. Reg. 103-612.2.3 (Supp. 2011) regarding operating maps, and S.C. Code Ann. Reg. 103-607 (Supp. 2011) regarding a bond for retail residential local exchange services;

WHEREAS, on January 2, 2013, counsel for ORS entered a Notice of Appearance in this matter;

WHEREAS on January 7, 2013, the Commission issued a Notice of Filing and Hearing;

WHEREAS, on January 15, 2013, the Commission issued its Order No. 2013-27 by which the Commission appointed Josh M. Minges, Esquire as the Hearing Examiner in this matter;

WHEREAS, on January 22, 2013, Peerless pre-filed the direct testimony of John Barnicle with the Commission;

WHEREAS, since the filing of the notice, ORS has conducted a review of the technical and managerial expertise of Peerless to provide the services requested in the Application;

WHEREAS, ORS has reviewed Peerless's financial statements filed as Exhibit C and Supplemental Exhibit C to the Application (motions for protective treatment granted by directive on January 24, 2013 and January 28, 2013);

WHEREAS, ORS has calculated certain performance ratios based upon information provided by Peerless;

WHEREAS, ORS has investigated the services to be offered by the Company and its intended customer service plans;

WHEREAS, ORS has reviewed the proposed tariffs filed as Exhibit E and Exhibit F of the Application;

WHEREAS, ORS has reviewed the pre-filed testimony of John Barnicle;

WHEREAS, as a result of its investigation, ORS has determined that (a) Peerless intends to provide resold and facilities-based local exchange and long distance telecommunication services throughout the State of South Carolina; (b) the officers of Peerless possess sufficient technical and managerial abilities to adequately provide the services applied for; (c) based upon the information provided and the analysis performed, Peerless appears to have access to sufficient financial resources necessary to provide the services proposed in its Application; (d) Peerless's proposed tariffs set forth in Exhibit E and Exhibit F of its Application, with the revisions by ORS, accepted by the Company, complies with Commission statutes and regulations; (e) the services provided by Peerless will meet the service standards required by the Commission; (f) the provision of services by Peerless will not adversely impact the availability of affordable services; (g) to the extent it is required to do so by the Commission, Peerless will participate in the support of universally available telephone service at affordable rates; and (h) the provision of services by Peerless will not adversely impact the public interest; and

WHEREAS, to ensure compliance with the Commission's statutes and regulations, the Parties have agreed to the following comprehensive settlement of all issues in this Docket;

WHEREFORE, in the spirit of compromise, the Parties hereby stipulate and agree to the following terms and conditions:

1) The Parties agree that Peerless's Application and Exhibits attached to the Application are incorporated into this Settlement Agreement and made a part hereof;

2) The Parties agree to stipulate into the record before the Commission this Settlement Agreement. The Parties also agree to stipulate to the pre-filed testimony of Peerless's witness John Barnicle without cross-examination by ORS;

3) The Company has submitted financial data, which was provided as Exhibit C and Supplemental Exhibit C to its Application, and which financial data is incorporated by reference;

4) The Parties agree that the Company should be granted a Certificate of Public Convenience and Necessity to provide resold and facilities-based local exchange service to business customers and long distance telecommunication services within the state of South Carolina;

5) ORS does not oppose the Company's requests (a) for flexible regulation for its local telecommunications service offerings consistent with Commission Order No. 1998-165 in Docket No. 1997-467-C, such flexible regulation including, specifically, (i) adoption of a competitive rate structure incorporating maximum rate levels with the flexibility for rate adjustment below the maximum rate levels and (ii) presumptively valid tariff filings upon filing subject to an investigation of such tariff filing being instituted within thirty (30) days and (b) for alternative regulation of its interexchange business services, consumer card services, operator services, and private line service offerings consistent with the procedures described and set forth in Commission Order Nos. 1995-1734 and 1996-55 in Docket No. 1995-661-C as modified by Order No. 2001-997 in Docket No. 2000-407-C, specifically (i) regulation of these services listed above in the same manner as these services of similarly regulated companies; (ii) removal of the maximum rate tariff requirements for Peerless's business services, private line, and customer network-type offerings, except in instances governed by Commission Order No. 2001-997, which reinstituted maximum rates for surcharges and rates associated with certain intrastate

operator-assisted calls; (iii) presumptively valid tariff filings for these interexchange services unless an investigation of a particular filing is instituted within seven (7) days, in which case the tariff filing will be suspended until resolution of the investigation or until further order of the Commission; and (iv) grant Peerless the same treatment as similarly regulated companies in connection with any future relaxation of reporting requirements;

6) The Company has requested a waiver of 26 S.C. Code Ann. Regs. 103-610 concerning the location of books and records. However, S.C. Code Ann. § 58-9-380 (Supp. 2011) provides that:

Each telephone utility shall have an office in one of the counties of this State in which its property or some part thereof is located and shall keep in such office all such books, accounts, papers and records as shall reasonably be required by the Office of Regulatory Staff to be kept within the State. No books, accounts, papers or records required by the Office of Regulatory Staff to be kept within the State shall be removed at any time from the State except upon such conditions as may be prescribed by the Office of Regulatory Staff.

ORS is agreeable to allowing the Company to maintain its books and records outside of the State of South Carolina in exchange for the Company agreeing to provide access to its books and records. ORS is agreeable to the Company maintaining its books and records at its principal offices in the State of Illinois, and the Company agrees to notify the ORS of any change in the location of the principal office or in the location where the books and records are maintained. This provision of the Settlement Agreement shall not be construed as a waiver of S.C. Code Ann. § 58-4-55 (Supp. 2011) or § 58-9-1070 (Supp. 2011) by ORS. ORS expressly reserves its rights to require the production of books, records and other information located within or outside of the State of South Carolina in order to carry out its duties in compliance with any state or federal regulation;

7) The Company has requested a waiver of any rule or regulation that might require a carrier to maintain its financial records in conformance with the USOA. The Company acknowledges that S.C. Code Ann. § 58-9-340 (Supp. 2011) provides that ORS may, in its discretion and subject to the approval of the Commission, prescribe systems of accounts to be kept by telephone utilities subject to the Commission's jurisdiction and that ORS may prescribe the manner in which the accounts shall be kept and may require every telephone utility to keep its books, papers, and records accurately and faithfully according to the system of accounts as prescribed by the ORS. The Company agrees to keep its books, papers, and records in such a manner that permits ORS to audit its revenues and expenses associated with its South Carolina operations for compliance with programs such as but not limited to the Universal Service Fund ("USF"), the Interim LEC Fund, dual party relay service fund, and gross receipts. The Company agrees to complete the reporting forms for such programs including but not limited to USF, dual party relay service fund, Interim LEC, and gross receipts as may be required by the ORS of telecommunications companies certificated to operate within South Carolina and as the reporting forms may be amended from time to time;

8) The Company has requested a waiver of 26 S.C. Code Ann. Reg. 103-631 regarding publication of telephone directory;

9) The Company has requested a waiver of 26 S.C. Code Ann. Reg. 103-612.2.3 regarding operating area maps

10) The Company has requested a waiver of S.C. Code Ann. Reg. 103-607 regarding a bond for provision of retail residential local exchange services;

11) The Company will not provide retail residential local exchange services;

12) The Company agrees to maintain its books and records associated with its South Carolina operations in a manner that would permit ORS to examine any of Peerless's reports filed with the Commission and provided to ORS;

13) The Company agrees to file with the Commission and ORS a completed authorized utility representative form within thirty (30) days of the Commission's order;

14) Peerless agrees to resell the services only of those local exchange providers or interexchange carriers authorized to do business in South Carolina by the Commission. The Company agrees to notify ORS and the Commission, in writing, of its underlying interexchange carriers and if the Company changes its underlying interexchange carriers;

15) Peerless agrees that it will allow an end-user of resold services to access an alternative interexchange carrier or operator service provider if the end-user expresses such a desire;

16) The Company agrees to file necessary financial information with the Commission and ORS for USF reporting, dual party relay service fund reporting, interim LEC fund reporting, annual reporting, gross receipts reporting, and/or any other reporting which may now or in the future be applicable to telecommunications providers such as Peerless. The Parties agree that such reports shall be filed pursuant to ORS's instructions and that monies shall be remitted in accordance with the directions of ORS and the Commission's requirements;

17) In the event that the Company offers prepaid calling card services in the future, Peerless agrees that it shall post a surety bond in the amount of \$5,000 as required by the Commission;

18) In the event that the Company offers local and long distance services to end users, the Company agrees to comply with the verification regulations governing change of preferred

carriers as established by FCC. In addition, in the event that the Company offers local and long distance services to end users, the Company agrees to comply with the marketing practices and guidelines established by the Commission in Order No. 1995-658;

19) The Company agrees to comply with S.C. Code Ann. § 58-9-300 entitled “Abandonment of Service.” Additionally, to the extent applicable, Peerless agrees to adhere to the FCC’s Rule 47 C.F.R. §§ 64.1190 and 64.1130 regarding preferred carrier freezes and the requirement that the form of the written authorization for the institution of the freeze be a separate or easily separable document. Prior to abandonment of service, the Company shall remove any preferred carrier freeze so as to enable consumers to seamlessly transfer their telephone numbers to another provider;

20) The Company agrees to comply with all orders, directives, guidelines, rules and regulations of the Commission unless the Commission has expressly waived such requirement, rule or regulation;

21) The Company agrees to file a final revised tariff with both ORS and the Commission within thirty (30) days of the Commission Order granting certification, and the revised tariff shall reflect and be in accordance with ORS’s recommendations. Further, the Company agrees to file and maintain its tariff with the Commission electronic tariff filing system;

22) ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2011). S.C. Code Ann. § 58-4-10(B)(1) through (3) read in part as follows:

...’public interest’ means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;

- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the Settlement Agreement reached among the Parties serves the public interest as defined above;

23) The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of all issues in the above-captioned proceeding and that the Commission take no action inconsistent with its adoption. The Parties further agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein;

24) The Parties represent that the terms of this Settlement Agreement are based upon full and accurate information known as of the date this Settlement Agreement is executed. If, after execution, either Party is made aware of information that conflicts with, nullifies, or is otherwise materially different than that information upon which this Settlement Agreement is based, either Party may withdraw from the Settlement Agreement with written notice to the other Party;

25) The Parties agree that signing this Settlement Agreement will not constrain, inhibit, impair or prejudice their arguments or positions held in other collateral proceedings, nor will it constitute a precedent or evidence of acceptable practice in future proceedings. If the Commission declines to approve the Settlement Agreement in its entirety, then any Party

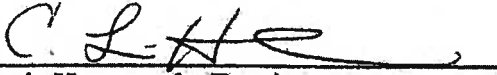
desiring to do so may withdraw from the Settlement Agreement in its entirety without penalty or obligation;

26) This Settlement Agreement shall be interpreted according to South Carolina law; and

27) The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by affixing its signature or by authorizing counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the original signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement. The Parties agree that in the event any Party should fail to indicate its consent to this Settlement Agreement and the terms contained herein, then this Settlement Agreement shall be null and void and will not be binding on any Party.

[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]

Representing the South Carolina Office of Regulatory Staff

A handwritten signature in black ink, appearing to read 'C. L. Hammonds', is written over a horizontal line.

C. Lessie Hammonds, Esquire

South Carolina Office of Regulatory Staff

1401 Main Street, Suite 900

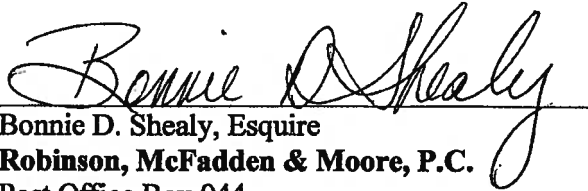
Columbia, South Carolina 29201

Tel.: (803) 737-0803

Fax: (803) 737-0895

Email: lhammon@regstaff.sc.gov

Representing Peerless Network of South Carolina, LLC

A handwritten signature in cursive script, reading "Bonnie D. Shealy", is written over a horizontal line.

Bonnie D. Shealy, Esquire

Robinson, McFadden & Moore, P.C.

Post Office Box 944

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Email: bshealy@robinsonlaw.com